



## center for nonprofit advancement

This is the fifth study by the Center for Nonprofit Advancement assessing the effects of the economy on nonprofit organizations and the services they provide in communities throughout Greater Washington. The goal of this study is provide a snapshot of the impact of the economy on nonprofits in 2011 and expectations for the next 12 months.

The Center for Nonprofit Advancement surveyed its member nonprofits throughout Greater Washington. A group representative of the region's nonprofits, including the District of Columbia, Northern Virginia and Montgomery and Prince George's counties in Maryland responded.

### **"New Reality" for Nonprofits and Those They Serve**

The story has been much the same since 2008. Nonprofits are reporting year-over-year decreased or stagnant revenue. This coincides with increased demands for services.

- The number of nonprofits maintaining diverse funding streams, including support from foundations, corporations, government and individuals, is down 10 percent since December 2008.
- In 2011, 40 percent of respondents experienced revenue reductions from 10 to 50 percent.
- Nearly a third (31%) used or lost some portion, if not all, of their operating reserves in 2011.
- More than half (53%) of nonprofits have reported increases in demand for services as a result of current economic conditions.
- Nearly half (46%) have heard from funding sources that they will maintain or give more in 2012. In March of 2009, just 15 percent had heard from funding sources that they would maintain support or give more.

*"We should not imagine that we can get through the recession and then go back to business as usual," said Alice M. Rivlin, Greater Washington Research Director at the Brookings Institution.*

### **Challenges Ahead**

Respondents have implemented a variety of measures to meet increased need under continued pressure. These have included:

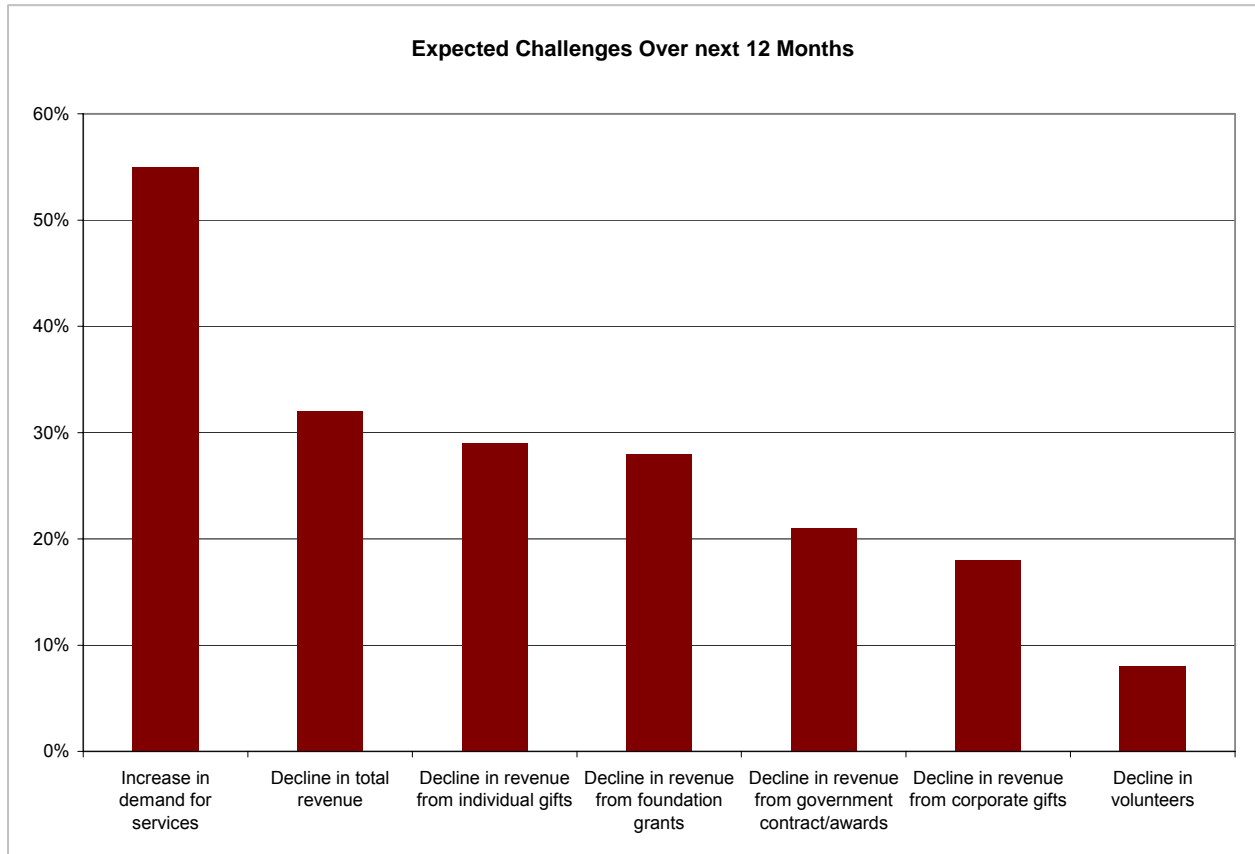
- Reducing staff size
- Freezing staff salaries and implementing furlough days
- Pursuing partnerships
- Modifying programs to reduce costs

*"Accountability is on an upward trend; revenue is going down."*  
--Survey Respondent

## Snapshot of Economy's Impact on Nonprofits in Greater Washington: 2012

- Streamlining service delivery
- At least one respondent is exploring a merger

A majority (55%) of nonprofits expect a continued increase in demand for services over the next 12 months.



The Center for Nonprofit Advancement strengthens the capacity of nonprofit organizations throughout Greater Washington, D.C. The Center directly partners with nearly 1,000 nonprofits helping them achieve their missions through training and technical assistance programs, networking, advocacy and group buying power. Learn more at [www.nonprofitadvancement.org](http://www.nonprofitadvancement.org).

This is the fifth survey by the Center on the economy's impact on local nonprofits. Results of earlier surveys were published in October 2010, November 2009, March 2009 and December 2008. The Center has consistently used these findings to develop new programs and services to provide high-quality, administrative and management assistance services that help organizations save money, build effectiveness and operate efficiently

## Community Profile: N Street Village

N Street Village is a community of empowerment and recovery for homeless and low-income women in Washington, D.C.

With comprehensive services addressing both emergency and long-term needs, they help women achieve personal stability and make gains in their housing, income, employment, mental health, physical health and addiction recovery goals. In

October 2011, N Street Village expanded its reach to a second program site by incorporating Miriam's House, a residential community for homeless women living with HIV and AIDS in

Northwest D.C. Women experiencing homelessness are at increased risk for contracting HIV, and with this acquisition, N Street Village realized an opportunity to grow its HIV/AIDS services for women in need.



### ***Q & A with N Street Village Executive Director Schroeder Stribling***

#### **What prompted the initial conversations with Miriam's House?**

Miriam's House came to us in a time of change. Their founder had recently retired and they were discussing how to adapt their programs as the face of AIDS/HIV changed and the needs of the women they served were also changing. They saw an opening for more varied types of supportive services like the ones N Street Village offers women. The mission and program alignment of our organizations was obvious and the fit between our culture and values felt right when we visited each other. We felt a kinship. We started talking about the ways that we could work together programmatically. As we got comfortable working with each other, we talked about the possibility of a further-reaching collaboration.

#### **At what stage was the board of directors first involved? How involved was the board throughout the process?**

Right from the beginning. We had been talking about growth strategies at the board level before the conversations began with Miriam's House. When merger with Miriam's House became a possibility, we held a series of special meetings of our board; we set a much higher bar on board involvement for this than for some other types of board decisions because we realized this was so consequential and so different from anything we had done before. We appointed one board member as our official "merger liaison" and he coordinated with the Miriam's House Board and came to many of our merger meetings. He could represent the board's interest at those meetings and he was particularly well-suited to support this work since he brought specific expertise from the corporate world to the table. As we neared completion of the merger, we invited one of the Miriam's House board members to participate on the N Street Village board and we reserved a seat on our board for her going forward. We also included former Miriam's House Board members on our HIV/AIDS Task Force because we understood this was a

priority programming area for them.

## **How labor and cost intensive was the process?**

Extremely. It costs a lot to do this. The process took between 10 and 11 months, and the greatest expense was in our time and opportunity cost. I and other senior staff spent a great deal of time on this project – which meant there were other activities that we were not doing in lieu of this. So you have to be convinced, and you have to test the idea seriously at the beginning and be persuaded of the value from mission and business angles.

Once it was clear that we were going to invest a lot of staff time toward this goal we talked with our funders and we were able to raise funds in support of these costs. Knowing that our funders endorsed this in concept and were willing to back it with dollars made us feel more confident in our strategy.

Additional costs came from the fact that we dedicated one senior staff member as the project manager for the process (having this infrastructure proved critically important) and eventually our program staffs had to get heavily involved as well when the implementation phases got under way.

## **What were the indications that the joining of your organizations could be successful?**

We had to continue testing that along the way. Mission and program alignment are areas that you have to have commonality on first. Building trust and relationships to ensure that mission and program alignment are key. We held meetings between our two boards and our two staffs. An important step in the process was an exchange of letters setting forth our respective organization's priorities relating to the merger process and life afterward. This helped us see our missions were aligned. We also looked at the finances on both sides to understand the risks and liabilities, and we prepared financial projections to look at the perceived benefits and understand where the savings would be one year, two years, three years from merger. We also looked at the plans from a human resource perspective, and reviewed projections for staffing and benefits. And finally we examined legal structure options.

## **What advice would you offer to others?**

Our mantra for the way to start every meeting and conversation became “*mission first.*” We kept going back to the test question: are the people we serve and the purposes of our organizations going to be strengthened by us moving forward with this merger? Can we maintain or enhance the impact we achieve by coming together?

Timing is also of the essence. If part of the motivation for a merger relates to one (or both) partner's sustainability challenge or a weakened position, a prolonged negotiation period could work against you. Each partner is bringing to the table certain assets – real estate, contracts, human resources, strong

morale, culture or reputation, subject matter expertise, committed donors, etc. Especially if either party is in distress, those assets may be depreciating – making it desirable to move quickly in the process. On the other hand, it is important to be thoughtful in developing and implementing the plans so that staff, Board and all stakeholders perceive integrity and care in the process, and experience the change as positively as possible.

Four tests for success:

- Mission and program alignment
- Common culture and values
- A leadership opening: this could mean simply an openness to new ideas on the part of the executive and/or Board leaders, or it could mean a literal opening through an executive director vacancy or planned transition
- A sense of optimism, momentum and endorsement on the part of all key constituents: Board, funders, staff etc.

## Community Profile: Bread for the City

The mission of Bread for the City is to provide vulnerable residents of Washington, DC, with comprehensive services, including food, clothing, medical care, and legal and social services, in an atmosphere of dignity and respect. They recognize that all people share a common humanity, and that all are responsible to themselves and to society as a whole.

Therefore, Bread for the City promotes the mutual collaboration of clients, volunteers, donors, staff and other community partners to alleviate the suffering caused by poverty and to rectify the conditions that perpetuate it. Bread for the City completed expansion of its Northwest Center in January 2011.



### *Q & A with Bread for the City Executive Director George Jones*

#### **What steps did you take to combat the economic downturn?**

Fearing the worse, we reduced employee salaries, non-management staff salaries by 10% and management staff by 12%. We also reduced weekly program hours by 10%.

We communicated these and other adjustments to our clients and larger community by creating an open letter to our friends and donors posted on our website. We consistently updated our staff and peers in the community on how we were faring during the recession.

We completed surveys with our clients during the recession period assessing how they were being impacted by reduced hours and other changes. As our revenue performed much better than we anticipated, we rewarded staff with bonuses to compensate for the reduced income as a consequence of the 10% cut backs. We returned our service to full time and salaries to 100% as quickly as possible.

#### **How did the recession impact your organization?**

In early 2009, when planning for fiscal year 2010, Bread for the City's board and staff were forced to confront the potential impact and ramifications that the most severe economic crisis in several generations would have on our diverse revenue streams. Feedback received from even the most loyal and stalwart funders in the foundation, corporate and individual giving communities indicated that their donations would all but likely be reduced or suspended altogether. Even our government revenue sources were facing significant threats of cutbacks and reduction.

However, as fiscal year 2010 progressed, we found that many funders were actually stepping up their support to aid the populations that were most in need during the economic crisis. In fact, many of the donors who told us not to expect gifts in FY10 came through after all—some citing the aforementioned

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proactive budget cuts as their reasoning for maintaining their support during these lean times. All the while, new revenue sources (such as The Community Foundation for the National Capital Region's

Neighbors in Need Fund) cropped up to replace those that dropped funding. Likewise, Bread for the City also benefited from several new multi-year commitments (Kresge Foundation, etc.) through which the revenue was booked in fiscal year 2010, but is meant to last two or more years. With all this in mind, Bread for the City finished out the fiscal year with a significant \$890,000 surplus.

This boost in revenue has allowed for the full restoration of staff salaries and service hours—our number one priority for fiscal year 2011. In addition, modest bonuses were given to staff in the spring and summer 2010 to help offset their financial losses stemming from their sacrifice in pay.

Moving forward, this current financial surplus will greatly assist our organization in the operation of our newly expanded Northwest Center facility. Growing by 11,000 square feet, this new space will ultimately double the size of our medical clinic while laying the groundwork for us to greatly increase patient capacity. It also doubles the size of our legal clinic, create more food storage space, offer family-friendly wait-space, free up critically needed private meeting space for social workers, and provide office space for administrative support personnel.

### **How were your board, staff and/or other stakeholders involved in planning for the steps you took?**

Our board and staff were involved throughout our planning for the recession. Together, they choose a proactive course of action designed to minimize the short-term impact of this crisis, while positioning ourselves for long-term growth. The Board formally voted on the plan to trim Bread for the City's organizational budget by 10% through a combination of salary reductions and reduced service hours. And the staff were consistently updated about the Board's plans and about the agency's monthly financial performance compared to the reduced budget the Board approved.

### **How did you maintain staff morale during the transition?**

The real secret was keeping staff informed throughout the planning process, and during the execution of our plans. Even with salary reductions, management seemed to have the staff's support and understanding throughout the recession period.

The Board of Directors also authorized two fairly generous staff bonuses, \$1,000 per staff person, as we realized that our funding did not take the hit feared, and we experienced funding surpluses during the end of fiscal years 2009 and 2010.

During the period, regular salaries were reduced by 10%, staff work schedules were reduced to 36 hours per week, a 10% reduction in the hours staff worked.

I think it was this mix of tactics that help maintain a fairly healthy staff morale here.

**What advice would you have for others in a similar situation?**

Again, I have to say that open and honest communication with staff is critical when facing financial crises or other challenges that will directly effect the staff. In fact, proactive communication with all of the key stakeholders, internally and externally is a key to weathering the kind of economic storm that was or is the recession.



## Community Profile: Katherine Morrison

Katherine Morrison has more than 20 years experience in nonprofit leadership. She served as president and CEO of The Campagna Center in Alexandria, Va., for 15 years and subsequently as interim executive director, executive transition manager and consultant for fundraising, board assessment and development, and strategic planning for nonprofits throughout the region. She has filled the interim executive director role at a number of organizations since 2006 including WEAVE (Women Empowered Against Violence) which closed its doors in March of 2012.

### *Q & A with Katherine Morrison*

#### **What have been some of the biggest challenges you've seen for nonprofits in recent years and what steps have you taken to overcome them?**

Cash flow and revenue have been a huge issue for organizations, especially since 2008. When I go into an organization, I try to dig deep into finances and projections for the coming year. Really trying to access revenue on a practical level is important. This can be especially hard when a long-time funder has changed priorities. To try to understand where an organization is with its funders or contractors, I try to meet with all the key people early on to understand what changes might be coming in terms of funding patterns. Project out for as many months as you reasonably can what your income and expenses will be. Fill that in with conversations with the people who will be providing the revenue so that you can see with as much distance as possible when something bad is coming and make the necessary changes in time to do something about them.

At one organization, I came in in May and by the end of their fiscal year in June we needed to make a 25% cut because of a government funding cut. That meant furloughs and layoffs to get spending in line with what our new budget would be. We convened staff to talk about what they thought was the best approach so, by the time we needed to implement reduction, there was staff buy-in.

From my viewpoint, for WEAVE, changes in funding by the District government was critical. During the summer of 2009, we met with funders about the need and talked with the board about an orderly closing. We approached other organizations about programs or clients they would be willing to take over. Just before they were planning to close in September of 2009, funders met to pledge their support and the founder launched a campaign to raise donations. WEAVE was able to continue operations, but subsequently closed in March of 2012.

#### **What role can mergers play?**

I'm a big believer in merger. We have a lot of small nonprofits who have overlapping missions and I think there should be more discussion about ways to work more closely together so that you're not duplicating

the administrative costs. Funders have a strong role to play in inspiring conversation and need to be more visibly supportive of mergers. Every time I serve as an interim, I raise it with the board—it's an ideal time when there are not two executive directors.

To be successful, there has to be both strong board and staff leadership. The board needs to understand it and the people that would work together have to be in agreement. Making sure that things like salary structure or benefits don't put anyone at a significant disadvantage is important. The constituent community also needs to provide input.

### **What advice would you offer to nonprofit leaders and boards working to meet needs in these challenging times?**

Always be looking at your programs and determining what is core to your mission. Focus on what you do well and what is core to your mission and let go of other things—which might mean letting another nonprofit who is working in the same area take over your clients or program. Work with your board to get them fully supportive of any changes you make in terms of cutting or expanding. Talk to your staff to solicit their input and keep them informed.

Using contractual services rather than full staff positions can work quite well for things like grant writing, human resources and finance—not temporary staff, but long-term contractual relationships for positions that are less than 40 hours. Only buying what you need is one good way to cut back.

Ask yourself hard questions in enough time to do something about it.

## Resources

### In-Person

The Center for Nonprofit Advancement provides training and technical assistance for leaders and staff at every level to increase performance and the impact of their services. See a schedule of upcoming professional development opportunities and events at [www.nonprofitlearning.org](http://www.nonprofitlearning.org). Discounted registration for Center members.

*"The Center for Nonprofit Advancement has been a wonderful resource for a small organization, we could not provide the benefit package that we do without it."*

*--Survey Respondent*

### Online

The Center serves as a resource center and clearinghouse for information on a range of nonprofit management topics. Access is available to member nonprofits 24-hours a day through our Nonprofit Management Resource Center (*member log-in required*) at [www.nonprofitadvancement.org](http://www.nonprofitadvancement.org).

### Video

Local experts join Center CEO Glen O'Gilvie as guests on the TV program *Connections* to share strategies around:

- Diversifying Revenue
- Fee-for-Service Models
- Corporate Partnerships
- Corporate Philanthropy
- Individual Giving
- Foundation Support
- Government Contracting
- Staff Development
- Building Your Reserves
- Succession Planning
- Building a Fundraising Board

View episodes online at [www.nonprofitadvancement.org](http://www.nonprofitadvancement.org).

### For Members

The Center provides member nonprofits with access to high-quality, administrative and management assistance services that help organizations save money, build effectiveness and operate efficiently. In addition to access to employee benefit and management tools, Center members can realize more than \$3,000 in savings annually as a direct result of their membership. Learn more at [www.nonprofitadvancement.org](http://www.nonprofitadvancement.org).